

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF PORTAGE	County HOUGHTON
Fiscal Year End DECEMBER 31, 2006	Opinion Date JUNE 26, 2007	Date Audit Report Submitted to State JUNE 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC		Telephone Number 906-482-6601		
Street Address 310 SHELDEN AVENUE		City HOUGHTON	State MI	Zip 49931
Authorizing CPA Signature <i>Bruce A. Rukkila, CPA</i>		Printed Name BRUCE A. RUKKILA, CPA		License Number 263812

CHARTER TOWNSHIP OF PORTAGE
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

December 31, 2006

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORTS:

Page

Independent Auditor's Report	4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5

BASIC FINANCIAL STATEMENTS:

Statement of Net Assets	7
Statement of Activities	8
<u>Governmental Funds:</u>	
Balance Sheet	9
Statements of Revenues, Expenditures, and Changes in Fund Balances	10
<u>Proprietary Funds:</u>	
Balance Sheet	11
Statements of Revenues, Expenditures, and Changes in Retained Earnings	12
Statements of Cash Flows	13
Fiduciary Funds - Statement of Fiduciary Net Assets	14
Notes to Financial Statements	15

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION:

<u>Budgetary Comparison Schedules:</u>	
General Fund	30
Fire Protection Fund	31
Cemetery Fund	32

SUPPLEMENTAL FINANCIAL INFORMATION:

<u>General Fund:</u>	
Detailed Statements of Revenues, Expenditures, and Changes in Fund Balance	34
<u>Special Revenue Funds:</u>	
Combining Balance Sheets	37
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	38
Detailed Schedules of Revenues, Expenditures, and Changes in Fund Balance:	
Fire Protection Fund	39
Cemetery Operating Fund	40
Liquor Law Enforcement Fund	41

TABLE OF CONTENTS
(Continued)

SUPPLEMENTAL FINANCIAL INFORMATION: (Continued)

Enterprise Funds:

Combining Balance Sheets	42
Combining Statements of Revenues, Expenses, and Changes in Retained Earnings	43
Combining Statements of Cash Flows - All Enterprise Funds	44
Detailed Schedules of Revenues, Expenses, and Changes in Retained Earnings:	
Sewer Fund	45
Water Fund - Portage	46
Water Fund - Dakota Heights	47
Water Fund - Woodland Road	48

Fiduciary Fund Types:

Cemetery Perpetual Care Fund:

Balance Sheet	49
Statements of Revenues, Expenses, and Changes in Fund Balance	50
Tax Collection Fund - Statement of Changes in Assets and Liabilities	51

LETTER OF COMMENTS AND RECOMMENDATIONS	52
---	-----------



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruceukkila.com

INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Charter Township of Portage has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements and have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

June 26, 2007



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2006 which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Charter Township of Portage in a separate letter dated June 26, 2007.

This report is intended for the information of the audit committee, management, and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

June 26, 2007

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 323,849	\$ 101,341	\$ 425,190
Receivables	714	127,279	127,993
Inventories	-	25,575	25,575
Prepaid expenses	26,466	3,393	29,859
Internal balances	461,058	(461,058)	-
Due from fiduciary funds	24,278	-	24,278
TOTAL CURRENT ASSETS	836,365	(203,470)	632,895
NONCURRENT ASSETS:			
Restricted cash	-	108,650	108,650
Capital assets	1,843,197	4,034,433	5,877,630
Less: accumulated depreciation	(754,270)	(1,690,950)	(2,445,220)
TOTAL NONCURRENT ASSETS	1,088,927	2,452,133	3,541,060
TOTAL ASSETS	\$ 1,925,292	\$ 2,248,663	\$ 4,173,955
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 8,172	\$ 13,708	\$ 21,880
Due to fiduciary funds	3,000	-	3,000
Accrued expenses	5,133	1,791	6,924
Accrued vacation payable	13,578	-	13,578
Current maturities on bond/note payable	20,150	50,000	70,150
TOTAL CURRENT LIABILITIES	50,033	65,499	115,532
NONCURRENT LIABILITIES:			
Bonds Payable, less current maturities	41,300	535,000	576,300
User Deposits	-	16,622	16,622
Deferred revenue	34,609	121,931	156,540
TOTAL NONCURRENT LIABILITIES	75,909	673,553	749,462
TOTAL LIABILITIES	125,942	739,052	864,994
NET ASSETS:			
Invested in capital assets, net of related debt	1,027,477	-	(1,027,477)
Contributed capital	-	1,020,018	1,020,018
Restricted for debt service	-	489,593	489,593
Unreserved	771,873	-	771,873
TOTAL NET ASSETS	1,799,350	1,509,611	(3,308,961)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,925,292	\$ 2,248,663	\$ 4,173,955

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF ACTIVITIES
December 31, 2006

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Government activities:						
General government	\$ 307,701	\$ 72,017	\$ -	\$ (235,684)	\$ -	\$ (235,684)
Public safety	64,111	-	-	(64,111)	-	(64,111)
Public works	187,592	-	-	(187,592)	-	(187,592)
Recreation	10,955	-	-	(10,955)	-	(10,955)
Other	-	-	-	-	-	-
Total governmental activities	<u>570,359</u>	<u>72,017</u>	<u>-</u>	<u>(498,342)</u>	<u>-</u>	<u>(498,342)</u>
Business-type activities:						
Water	166,798	192,453	-	-	25,655	25,655
Sewer	<u>168,866</u>	<u>135,283</u>	<u>-</u>	<u>-</u>	<u>(33,583)</u>	<u>(33,583)</u>
Total business-type activities	<u>335,664</u>	<u>327,736</u>	<u>-</u>	<u>-</u>	<u>(7,928)</u>	<u>(7,928)</u>
Total primary government	<u>\$ 906,023</u>	<u>\$ 399,753</u>	<u>\$ -</u>	<u>(498,342)</u>	<u>(7,928)</u>	<u>(506,270)</u>
General Revenues:						
Taxes				157,735	-	157,735
State shared revenue				236,546	-	236,546
Interest and investment earnings				20,272	12,578	32,850
Sale of assets				172,200	-	172,200
Transfers from Perpetual Care				24,762	-	24,762
Other				37,840	9,274	47,114
Total general revenues, transfers and special items				<u>649,355</u>	<u>21,852</u>	<u>671,207</u>
Change in Net Assets				151,013	13,924	164,937
Net Assets- Beginning				<u>620,860</u>	<u>475,669</u>	<u>1,096,529</u>
Net Assets- Ending				<u>\$ 771,873</u>	<u>\$ 489,593</u>	<u>\$ 1,261,466</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2006

	<u>Major Funds</u>			<u>Non-major</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Liquor Law</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS:					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 166,346	\$ 85,249	\$ 69,632	\$ 2,622	\$ 323,849
Accounts receivable	714	-	-	-	714
Prepaid expenses	21,790	2,737	1,939	-	26,466
Due from other funds	462,058	-	-	-	462,058
Due from fiduciary funds	22,349	1,929	-	-	24,278
TOTAL CURRENT ASSETS	\$ 673,257	\$ 89,915	\$ 71,571	\$ 2,622	\$ 837,365
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	\$ 7,136	\$ -	\$ 1,036	\$ -	\$ 8,172
Accrued expenses	4,038	1,080	15	-	5,133
Due to fiduciary funds	-	-	3,000	-	3,000
Due to other funds	-	1,000	-	-	1,000
Deferred revenue	19,520	15,089	-	-	34,609
TOTAL CURRENT LIABILITIES	30,694	17,169	4,051	-	51,914
FUND BALANCES:					
Unreserved	642,563	72,746	67,520	2,622	785,451
TOTAL LIABILITIES AND FUND BALANCES	\$ 673,257	\$ 89,915	\$ 71,571	\$ 2,622	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,088,927
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(75,028)
Net assets of governmental activities	<u>\$ 1,799,350</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2006

	<u>Major Funds</u>			<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Liquor Law</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Protection</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Revenues:					
Taxes	\$ 81,945	\$ 64,745	\$ -	\$ -	\$ 146,690
Federal revenue	11,045	-	-	-	11,045
State revenue	235,017	-	-	1,529	236,546
Charges for services	37,280	-	34,737	-	72,017
Interest	12,030	3,336	4,906	-	20,272
Other revenue	30,495	345	7,000	-	37,840
Total revenues	<u>407,812</u>	<u>68,426</u>	<u>46,643</u>	<u>1,529</u>	<u>524,410</u>
Expenditures:					
General government	270,855	-	-	-	270,855
Public safety	3,055	116,217	-	2,364	121,636
Public works	143,369	-	159,615	-	302,984
Recreation and culture	10,955	-	-	-	10,955
Total expenditures	<u>428,234</u>	<u>116,217</u>	<u>159,615</u>	<u>2,364</u>	<u>706,430</u>
Excess (deficiency) of revenue over expenditures	(20,422)	(47,791)	(112,972)	(835)	(182,020)
Other Financing Sources:					
Transfer from Perpetual Care	-	-	24,762	-	24,762
Sale of cemetery vault	-	-	172,200	-	172,200
Loan proceeds	-	33,500	-	-	33,500
Total other financing sources	<u>-</u>	<u>33,500</u>	<u>196,962</u>	<u>-</u>	<u>230,462</u>
Net change in fund balance	<u>(20,422)</u>	<u>(14,291)</u>	<u>83,990</u>	<u>(835)</u>	<u>48,442</u>
Fund Balances - Beginning of Year	<u>662,985</u>	<u>87,037</u>	<u>(16,470)</u>	<u>3,457</u>	
Fund Balances - End of Year	<u>\$ 642,563</u>	<u>\$ 72,746</u>	<u>\$ 67,520</u>	<u>\$ 2,622</u>	

Amounts reported for governmental activities in the statement are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents capital outlay and depreciation (112,965)

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. (1,687)

Loan payments on long term debt (21,419)

Bond proceeds received for fire truck purchase recorded as loan payable. 33,500

Change in net assets of governmental activities \$ 151,013

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
PROPRIETARY FUNDS
BALANCE SHEET

Year Ended December 31, 2006

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
ASSET AND OTHER DEBITS:			
Current Assets:			
Cash	\$ (57,444)	\$ 158,785	\$ 101,341
Receivables	3,390	123,889	127,279
Inventory	-	25,575	25,575
Prepaid expenses	1,696	1,697	3,393
Total current assets	(52,358)	309,946	257,588
Restricted cash	-	108,650	108,650
General fixed assets:			
Fixed Assets	1,410,682	2,623,751	4,034,433
Accumulated depreciation	(871,118)	(819,832)	(1,690,950)
Total general fixed assets	539,564	1,803,919	2,343,483
TOTAL ASSETS AND OTHER DEBITS	\$ 487,206	\$ 2,222,515	\$ 2,709,721
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 12,460	\$ 1,248	\$ 13,708
Due to other funds	207,247	253,811	461,058
Current maturities on bond payable	-	50,000	50,000
User deposits	-	16,622	16,622
Accrued expenses	648	1,143	1,791
Deferred revenue	-	121,931	121,931
Total current liabilities	220,355	444,755	665,110
Long-term liabilities:			
Bonds payable net of current maturities	-	535,000	535,000
TOTAL LIABILITIES	220,355	979,755	1,200,110
FUND EQUITY AND OTHER CREDITS:			
Contributed capital	292,666	727,352	1,020,018
Retained earnings	(25,815)	515,408	489,593
TOTAL FUND EQUITY	266,851	1,242,760	1,509,611
TOTAL LIABILITIES AND FUND EQUITY	\$ 487,206	\$ 2,222,515	\$ 2,709,721

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2006

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUE			
Charges for services	\$ 134,498	\$ 192,103	\$ 326,601
Parts, meters, hook-up fees	785	350	1,135
Other	106	9,168	9,274
TOTAL OPERATING REVENUE	135,389	201,621	337,010
EXPENSES:			
Salaries	15,808	30,873	46,681
Payroll taxes	2,793	5,365	8,158
Employee benefits	4,300	5,597	9,897
Supplies	1,925	6,661	8,586
Utilities	2,905	2,080	4,985
Insurance	2,342	2,292	4,634
Repairs and maintenance	2,323	1,050	3,373
Professional services	3,060	-	3,060
Depreciation	35,251	55,022	90,273
Purchase services	118,492	45,836	164,328
Miscellaneous	1,357	10,352	11,709
TOTAL EXPENSES	190,556	165,128	355,684
OPERATING INCOME (LOSS)	(55,167)	36,493	(18,674)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	-	12,578	12,578
Interest expense	-	(22,020)	(22,020)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	(9,442)	(9,442)
NET INCOME (LOSS)	(55,167)	27,051	(28,116)
RETAINED EARNINGS, BEGINNING OF YEAR	7,662	468,007	475,669
ADJUSTMENTS TO FUND EQUITY			
Depreciation on Contributed Capital	21,690	20,350	42,040
RETAINED EARNINGS, END OF YEAR	\$ (25,815)	\$ 515,408	\$ 489,593

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2006

	<u>Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 139,758	\$ 206,276	\$ 346,034
Payments to suppliers	(131,732)	(72,065)	(203,797)
Internal activity -- receipts (payments) to other funds	0	201,715	201,715
Payments to employees	(22,178)	(40,355)	(62,533)
Other receipts (payments)	0	0	0
Net cash provided by operating activities	<u>(14,152)</u>	<u>295,571</u>	<u>281,419</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	0	0	0
Purchases of capital assets	0	(238,109)	(238,109)
Principal paid on capital debt	0	(50,000)	(50,000)
Interest paid on capital debt	0	(22,020)	(22,020)
Net cash (used) by capital and related financing activities	<u>0</u>	<u>(310,129)</u>	<u>(310,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>0</u>	<u>12,578</u>	<u>12,578</u>
Net cash provided by investing activities	<u>0</u>	<u>12,578</u>	<u>12,578</u>
Net (decrease) in cash and cash equivalents	(14,152)	(1,980)	(16,132)
Cash and cash equivalents - beginning of year	(43,292)	269,415	226,123
Cash and cash equivalents - ending of year	<u>\$ (57,444)</u>	<u>\$ 267,435</u>	<u>\$ 209,991</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (55,167)	\$ 36,493	\$ (18,674)
Adjustments to reconcile operating income to net cash provided			0
(used) by operating activities:			0
Depreciation expense	35,251	55,022	90,273
Change in assets and liabilities			0
Receivables, net	4,369	23,036	27,405
Other assets	693	2,406	3,099
Accounts and other payables	672	(4,931)	(4,259)
Other liabilities	0	183,333	183,333
Accrued expenses	30	211	241
Net cash provided by operating activities	<u>\$ (14,152)</u>	<u>\$ 295,570</u>	<u>\$ 281,418</u>

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2006

	Cemetery Perpetual Care Fund	Tax Collection Fund	Total
ASSETS:			
RESTRICTED ASSETS:			
Cash and cash equivalents	\$ 258,222	\$ 62,770	\$ 320,992
Investments	638,782	-	638,782
Due from governmental funds	3,000	-	3,000
Accrued interest	6,229	-	6,229
TOTAL RESTRICTED ASSETS	<u>\$ 906,233</u>	<u>\$ 62,770</u>	<u>\$ 969,003</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 799	\$ 799
Due to governmental funds	-	24,278	24,278
Due to other governmental units	-	37,693	37,693
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>62,770</u>	<u>62,770</u>
FUND BALANCES:			
Reserved fund balance	<u>906,233</u>	<u>-</u>	<u>906,233</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 906,233</u>	<u>\$ 62,770</u>	<u>\$ 969,003</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

The Charter Township of Portage is a Charter Township located in Houghton County, Michigan, and encompasses an area of 113.35 square miles. The Township operates under an elected Board of Trustees (seven members, including the Township Supervisor, Township Clerk, Township Treasurer, and four trustees) and provides services to a population of approximately 3,150 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Portage, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

The Charter Township of Portage is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

Cemetery Fund - The Cemetery Fund accounts for all operations of cemetery activities.

The following is a description of the non-major governmental fund of the Township:

Liquor Law Fund - This fund accounts for all activity in connection with liquor law enforcement as required by the State of Michigan and is funded by the same.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Sewer and Water funds are major enterprise funds of the Township.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The following is a description of the fiduciary funds:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for collection and disbursement of property tax collections to all taxing agencies.

Cemetery Perpetual Care Fund - This fund invests the funds for perpetual care and the interest income is transferred to the cemetery operating fund for perpetual expenditures.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is incurred.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Other Accounting Policies

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time unpaid real taxes are turned over to Houghton County for collection.

For the year ended December 31, 2006, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
Township Operating	1.2936
Fire (Hurontown)	1.0000

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. All other funds the Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements

Capital Assets - Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-40 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Township follows the policy of reducing contributed capital in the water and sewer funds for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At December 31, 2006, Federal, State and Local contributed capital of \$1,020,018 has been reduced by an aggregate of \$312,484. The current year amortization is \$42,040.

Accrued Benefits - The liabilities for accrued benefits reported in the government-wide statements in the amount of \$13,578, consisted of sick leave and vacation balances. Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is not vested liability for unused sick leave.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each October, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following January 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in January.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General and Enterprise Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2006 the Township had the following investments:

Investment Type	Fair Value	Weighted Average Maturity	Rating	%
Certificate of Deposit	\$ 20,000	.0837	AAA	3.13%
U.S. Treasury Notes	618,781	.6640	AAA	96.87%
Total fair value	<u>\$ 638,781</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.124617</u>		

1 day maturity equals 0.0027, one year equals 1.00

Interest Rate Risk - In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE C - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk - The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, \$143,728 of the Township's bank balance of \$1,073,096 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Enterprise Funds	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 323,849	\$ 101,341	\$ 0	\$ 425,190
Restricted cash	0	108,650	320,842	429,492
Total cash and cash equivalents	<u>\$ 323,849</u>	<u>\$ 209,991</u>	<u>\$ 320,842</u>	<u>\$ 854,682</u>

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at December 31, 2006 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 462,058	Fire Fund	\$ 1,000
		Sewer Fund	207,247
		Portage Water Fund	249,330
		Dakota Water Fund	4,481
TOTALS	<u>\$ 462,058</u>	TOTALS	<u>\$ 462,058</u>

The tax collection fund had totals of \$24,278 due to general fund and fire protection fund of \$22,349 and \$1,929, respectfully.

NOTE E - RECEIVABLES

The detail of receivables at December 31, 2006 are as follows:

Receivables	General	Proprietary	Total Primary Government
Accounts	\$ 714	\$ 5,348	\$ 6,062
Special assessment	0	121,931	121,931
Total receivables	<u>\$ 714</u>	<u>\$ 127,279</u>	<u>\$ 127,993</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE F - FIXED ASSETS

Fixed Asset activity of the Township's governmental activities was as follows:

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Land	\$ 618,659	\$ 0	\$ 40,000	\$ 578,659
Fixed assets being depreciated:				
Buildings	443,227	84,384	26,556	501,055
Equipment	128,979	0	0	128,979
Machinery	85,976	15,639	0	101,615
Office equipment	35,242	0	9,589	25,653
Street signs	6,569	0	0	6,569
Vehicles	434,692	65,975	0	500,667
	<u>1,134,685</u>	<u>165,998</u>	<u>36,145</u>	<u>1,264,538</u>
Subtotal	<u>1,753,344</u>	<u>165,998</u>	<u>76,145</u>	<u>1,843,197</u>
Accumulated depreciation:				
Buildings	241,993	10,883	26,556	226,320
Equipment	96,743	2,695	0	99,438
Machinery	55,976	7,173	0	63,149
Office equipment	28,169	1,630	9,588	20,211
Street signs	5,424	260	0	5,684
Vehicles	309,076	30,392	0	339,468
Subtotal	<u>737,381</u>	<u>53,033</u>	<u>36,144</u>	<u>754,270</u>
Net capital assets being depreciated	<u>397,304</u>	<u>112,965</u>	<u>1</u>	<u>510,268</u>
Net capital assets	<u>\$ 1,015,963</u>	<u>\$ 112,965</u>	<u>\$ 40,001</u>	<u>\$ 1,088,927</u>

Depreciation expense was charged to activities of the Township as follows:

Governmental activities	
General government	\$ 36,846
Public safety	15,719
Public works	468
Total governmental activities	<u>\$ 53,033</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE F - FIXED ASSETS (Continued)

The property, plant, and equipment in Township business-type funds at December 31, 2006 are summarized as follows:

SEWER FUND

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Utility system	\$ 1,396,082	\$ 0	\$ 0	\$ 1,396,082
Office equipment	765	0	0	765
Machinery	13,835	0	0	13,835
Subtotal	1,410,682	0	0	1,410,682
Accumulated depreciation:				
Utility system	828,916	\$ 34,840	\$ 0	863,756
Office equipment	765	0	0	765
Machinery	6,185	412	0	6,597
Subtotal	835,866	\$ 35,252	\$ 0	871,118
Net capital assets	\$ 574,816			\$ 539,564

WATER FUNDS

<u>Portage</u>	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Utility system	\$ 1,502,470	\$ 238,109	\$ 0	\$ 1,740,579
Equipment	79,470	0	0	79,470
Office equipment	765	0	0	765
Machinery	4,527	0	0	4,527
Subtotal	1,587,232	238,109	0	1,825,341
Accumulated depreciation:				
Utility system	609,453	\$ 34,450	\$ 0	643,903
Equipment	65,251	521	0	65,772
Office equipment	765	0	0	765
Machinery	4,369	159	0	4,528
Subtotal	679,838	\$ 35,130	\$ 0	714,968
Net capital assets	\$ 907,394			\$ 1,110,373

<u>Dakota</u>	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Utility system	\$ 5,040	\$ 0	\$ 0	\$ 5,040
Equipment	668,918	0	0	668,918
Subtotal	673,958	0	0	673,958
Accumulated depreciation:				
Utility system	75,253	\$ 16,723	\$ 0	91,976
Equipment	1,680	336	0	2,016
Subtotal	76,933	\$ 17,059	\$ 0	93,992
Net capital assets	\$ 597,025			\$ 579,966

<u>Woodland</u>	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Utility system	\$ 124,452	\$ 0	\$ 0	\$ 124,452
Accumulated depreciation	8,038	2,834	0	10,872
Net capital assets	\$ 116,414			\$ 113,580

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS

PORTAGE WATER FUND

Bond and Interest Redemption Account - The 1986 Water Fund System Special Assessment Bonds requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2006 was \$6,318 which is in compliance with bond requirements.

Bond Reserve Account - The 1986 Water Fund System Improvement Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At December 31, 2006, there was \$58,638 in the Bond Reserve account which is in compliance with bond requirements.

DAKOTA HEIGHTS WATER FUND

Bond and Interest Redemption Account - Water Supply System Revenue Bonds, Series 2000 requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2006 was \$7,077, which is in compliance with bond requirements.

Bond Reserve Account - Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit \$275 per quarter into a bond reserve account to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2006 was \$6,909, which is in compliance with bond requirements.

Repair, Replacement, and Improvement Account - Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit into a repair, replacement, and improvement account (RRI) at least \$2,100 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account balance at December 31, 2006 should be \$45,625, which is \$15,917 short of compliance with bond requirements.

NOTE H - ACCUMULATED UNPAID VACATION AND SICK LEAVE

Township full time employees accumulate vacation days based on 160 hours of work. The maximum vacation accrual is thirty (30) days. Vacation days are earned on an annual basis at the following rate, per every 160 hours worked:

<u>Years of Employment</u>	<u>Vacation Days</u>
One year	½
Two through seven	1
Eight through ten	1 ¼
Eleven or more	1 ½

Township full time employees accumulate sick leave days monthly at a rate of one-half (½) day for each two weeks of employment. The maximum sick leave accrual is twenty-four (24) days.

Accumulated unpaid vacation and sick leave at December 31, 2006 and 2005 were \$13,578 and \$15,265, respectively.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE I - LONG-TERM DEBT

Portage Water Bonds

On November 1, 2005 the Township refinanced the 1986 Water System revenue bonds with River Valley State Bank totaling \$325,000. The original bonds were for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds bears a varying interest rate of 3.25-4.30% per annum. The payment schedule for the bonds is as follows:

WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS

<u>Year</u>	<u>July 1</u>	<u>November 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2007	\$ 5,098	\$ 5,098	\$ 25,000	\$ 35,196
2008	4,787	4,787	25,000	34,574
2009	4,470	4,470	25,000	33,940
2010	4,061	4,061	30,000	38,122
2011	3,642	3,642	30,000	37,284
2012	3,214	3,214	30,000	36,428
2013	2,776	2,776	30,000	35,552
2014	2,328	2,328	35,000	39,656
2015	1,786	1,786	35,000	38,572
2016	1,231	1,231	35,000	37,462
TOTALS	\$ 33,393	\$ 33,393	\$ 300,000	\$ 366,786

Special assessment bonds were issued in 1986 in the amount of \$135,000 (United States Development Authority) for the purpose of defraying part of the cost of water supply and distribution system improvements. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate not to exceed 6.125% per annum.

Bonds maturing after July 1, 1987 are subject to redemption prior to maturity, in inverse order, at the option of the Township on any interest payment date after January 1, 1986. The payment schedule for the bonds is as follows:

WATER SPECIAL ASSESSMENT BONDS

<u>Year</u>	<u>January 1</u>	<u>July 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2007	\$ 1,133	\$ 1,133	\$ 5,000	\$ 7,266
2008	980	980	5,000	6,960
2009	827	827	4,000	5,654
2010	705	704	5,000	6,409
2011	92	92	3,000	3,184
TOTALS	\$ 3,737	\$ 3,736	\$ 22,000	\$ 29,473

Dakota Heights Water Fund

Water Supply System Revenue Bonds, Series 2000 were issued on September 12, 2000 in the amount of \$196,000 for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply and Distribution System. The bonds bear an interest rate not to exceed 4.50% per annum. The payment schedule for the bonds is as follows:

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE I - LONG-TERM DEBT (Continued)

2000 WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS

<u>Year</u>	<u>February 1</u>	<u>August 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2007	\$ 4,050	\$ 4,050	\$ 3,000	\$ 11,100
2008	3,982	3,983	3,000	10,965
2009	3,915	3,915	3,000	10,830
2010	3,847	3,848	3,000	10,695
2011	3,780	3,780	3,000	10,560
2012	3,712	3,713	3,000	10,425
2013-2017	17,551	17,551	16,000	51,102
2018-2022	15,525	15,525	20,000	51,050
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
TOTALS	\$ 86,513	\$ 86,516	\$ 180,000	\$ 353,029

Pilgrim Estates (Woodland Water Fund)

On May 1, 2003, the Township issued \$127,000 of general obligation - limited tax bonds for the purpose of paying all or part of the cost of certain capital improvements in the Pilgrim Estates area.

The bond issue or \$5,000 portions of the bond is subject to redemption at the option of the Township in whole or in part, in such order as determined by the Township, on any interest payment date on or after March 1, 2004, at par and accrued interest to the date fixed for redemption. The bond maturing on March 1, 2011 (the "Term Bond") is subject to mandatory redemption in part, by lot, at par, plus accrued interest to the date fixed for redemption without premium on March 1 of each of the years and in the principal amounts set forth in the debt schedule as follows:

2003 GENERAL OBLIGATION LIMITED TAX BOND

<u>Year</u>	<u>March 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2007	\$ 2,839	\$ 17,000	\$ 19,839
2008	2,257	17,000	19,257
2009	1,676	17,000	18,676
2010	1,094	17,000	18,094
2011	513	15,000	15,513
TOTALS	\$ 8,379	\$ 83,000	\$ 91,379

Capital Lease Agreements

On December 22, 2004, the Township entered into a municipal lease-purchase agreement with Ford Motor Credit Company in the amount of \$70,750 for a 2004 Sterling 660 Dump Truck. This lease has an annual percentage rate of 5% and fixed payments will be made annually which will include interest. The lease with Government Capital Corporation will expire April 1, 2006, at which time the Township will legally own the pumper.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 14,080	\$ 1,484	\$ 15,564
2008	13,870	1,483	15,353
TOTALS	\$ 27,950	\$ 2,967	\$ 30,917

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE I - LONG-TERM DEBT (Continued)

Hurontown Fire Truck

On March 15, 2006 entered into a note with U.S. Rural Development to purchase a fire truck for the Hurontown Fire Department. The fire truck is being purchased with grant proceeds of \$35,000, township obligation of \$30,000 and a note in the amount of \$120,000. The note has an interest rate of 4.25% and maturing on March 15, 2021. At December 31, 2006 the township had only drawn down \$33,500 on the note.

<u>Year</u>	<u>March 15</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2007	\$ 5,100	\$ 6,000	\$ 11,100
2008	4,845	6,500	11,345
2009	4,568	6,500	11,068
2010	4,292	7,000	11,292
2011	3,995	7,000	10,995
2012	3,698	7,500	11,198
2013-2017	13,599	41,500	55,099
2018-2021	4,103	38,000	42,103
TOTALS	<u>\$ 44,200</u>	<u>\$ 120,000</u>	<u>\$ 164,200</u>

The following is a summary of the changes in long-term debt principal for the year ended December 31, 2006:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/06</u>	<u>Maturities</u>
<i>Enterprise</i>					
Portage Water Fund:					
Water Supply Bond	\$ 325,000	\$ 0	\$ 25,000	\$ 300,000	\$ 25,000
Special Assessment	27,000	0	5,000	22,000	5,000
Dakota Heights Water Fund	183,000	0	3,000	180,000	3,000
Woodland Water Fund	100,000	0	17,000	83,000	17,000
Sub-Total	<u>635,000</u>	<u>0</u>	<u>50,000</u>	<u>585,000</u>	<u>50,000</u>
<i>Governmental Funds</i>					
General Fund-Dump Truck	42,100	0	14,150	27,950	14,150
Fire Protection Fund	7,269	33,500	7,269	33,500	6,000
Sub-Total	<u>49,369</u>	<u>33,500</u>	<u>21,419</u>	<u>61,450</u>	<u>20,150</u>
TOTALS	<u>\$ 684,369</u>	<u>\$ 33,500</u>	<u>\$ 71,419</u>	<u>\$ 646,450</u>	<u>\$ 70,150</u>

SUMMARY SCHEDULE OF LONG-TERM DEBT

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 29,985	\$ 70,080	\$ 100,065
2008	28,084	70,370	98,454
2009	24,668	55,500	80,168
2010	22,612	62,000	84,612
2011	19,536	58,000	77,536
2012	17,551	40,500	58,051
2013-2017	64,943	192,500	257,443
2018-2022	35,153	58,000	93,153
2023-2027	26,100	26,000	52,100
2028-2032	19,756	32,000	51,756
2033-2037	11,880	40,000	51,880
2038-2040	2,566	28,000	30,566
TOTALS	<u>\$ 302,834</u>	<u>\$ 732,950</u>	<u>\$ 1,035,784</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained four Enterprise Funds which provided water and sewer services. Segment information for the year ended December 31, 2006 is as follows:

	<u>Sewer</u>	<u>Portage Water</u>	<u>Dakota Water</u>	<u>Woodland Water</u>
Operating Revenues	\$135,389	\$123,289	\$23,867	\$54,465
Depreciation	\$35,251	\$35,129	\$17,059	\$2,834
Operating Income (Loss)	(\$55,167)	\$6,725	(\$2,813)	\$32,581
Non-operating Revenue (Expense)	\$0	(\$1,588)	(\$6,580)	\$1,274
Net Income (Loss)	(\$55,167)	\$5,137	(\$9,393)	\$31,307
Property, Plant, and Equipment:				
Additions	\$0	\$238,109	\$0	\$0
Net Working Capital (Deficit)	(\$272,713)	(\$196,041)	(\$9,790)	\$71,022
Total Assets	\$487,206	\$1,293,723	\$627,198	\$301,594
Total Equity	\$266,851	\$687,288	\$436,870	\$118,602

NOTE K - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria has been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of December 31, 2006:

<u>Fund</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Total</u>
General Fund	\$ 19,520	\$ 0	\$ 19,520
Fire Protection Fund	15,089	0	15,089
Portage Water Fund	0	22,783	22,783
Woodland Water Fund	0	99,148	99,148
Totals	<u>\$ 34,609</u>	<u>\$ 121,931</u>	<u>\$ 156,540</u>

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - DEFINED CONTRIBUTION PLAN

The Township is a member of the John Hancock Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time and seasonal employees are eligible to participate from their date of employment. The Township policy requires that the Township contribute an amount equal to 5% of the employee's compensation. No contribution is required by any employee, although an employee may contribute. Township contributions for each employee and allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any earnings, are fully vested at the time of the contribution or crediting of investment earnings.

The Township's total payroll in 2006 was \$210,596. The Township's contributions were calculated using the eligible wage amount of \$180,069. The Township made the required 5% contribution amounting to \$9,885.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE N - SUBSEQUENT EVENTS

The Township has applied for loan funding from the U.S. Department of Agriculture - Rural Development for water system improvements. The proposed project is for upgrades to the existing system in the Dodgeville, Hurontown, #2 Location, Green Acres Road areas and water tank upgrades. The total estimated cost of the project is \$700,000.

NOTE O - RECLASSIFICATION

Certain items in the December 2005 financial statements have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON
GENERAL FUND

For the Year Ending December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 139,000	\$ 139,000	\$ 161,750	\$ 22,750
State sources	238,000	238,000	235,017	(2,983)
Federal sources	0	0	11,045	11,045
TOTAL REVENUE	<u>377,000</u>	<u>377,000</u>	<u>407,812</u>	<u>30,812</u>
EXPENDITURES:				
Assessor	28,000	28,000	13,182	14,818
Supervisor	23,000	23,000	20,577	2,423
Clerk	25,000	25,000	20,116	4,884
Treasurer	34,000	34,000	30,505	3,495
Zoning and planning	4,000	4,000	3,793	207
General services	24,000	24,000	20,208	3,792
Township board	8,000	8,000	8,203	(203)
Town Hall	22,000	22,000	21,606	394
Other activities	120,500	120,500	108,765	11,735
Recreation	25,000	25,000	10,955	14,045
Motor vehicle pool	65,000	65,000	57,646	7,354
Constable	3,400	3,400	3,055	345
Building inspector	1,000	1,000	0	1,000
Elections	8,000	8,000	9,325	(1,325)
Maintenance building	18,000	18,000	18,368	(368)
Roads and repairs	85,000	85,000	81,930	3,070
TOTAL EXPENDITURES	<u>493,900</u>	<u>493,900</u>	<u>428,234</u>	<u>65,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116,900)	(116,900)	(20,422)	(96,478)
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$ (116,900)</u>	<u>\$ (116,900)</u>	(20,422)	<u>\$ (96,478)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>662,985</u>	
FUND BALANCE - END OF YEAR			<u>\$ 642,563</u>	

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 61,000	\$ 61,000	\$ 68,426	\$ 7,426
Federal sources	0	0	0	0
TOTAL REVENUE	<u>61,000</u>	<u>61,000</u>	<u>68,426</u>	<u>7,426</u>
EXPENDITURES:				
Hurontown Fire Department	46,200	96,000	92,545	3,455
Otter Lake Fire Department	<u>24,000</u>	<u>24,000</u>	<u>23,672</u>	<u>328</u>
TOTAL EXPENDITURES	<u>70,200</u>	<u>120,000</u>	<u>116,217</u>	<u>3,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,200)	(59,000)	(47,791)	(11,209)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	<u>0</u>	<u>0</u>	<u>33,500</u>	<u>(33,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (9,200)</u>	<u>\$ (59,000)</u>	<u>(14,291)</u>	<u>\$ (44,709)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>87,037</u>	
FUND BALANCE - END OF YEAR			<u>\$ 72,746</u>	

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 39,000	\$ 39,000	\$ 46,643	\$ 7,643
EXPENDITURES:				
Cemetery operating expenses	76,000	76,000	159,615	83,615
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,000)	(37,000)	(112,972)	(75,972)
OTHER FINANCING SOURCES (USES)				
Sale of cemetery vault	0	0	172,200	172,200
Transfer from Perpetual Care	35,000	35,000	24,762	10,238
TOTAL OTHER FINANCING SOURCES	35,000	35,000	196,962	182,438
NET CHANGE IN FUND BALANCE	\$ (2,000)	\$ (2,000)	83,990	\$ 106,466
FUND BALANCE - BEGINNING OF YEAR			(16,470)	
FUND BALANCE - END OF YEAR			\$ 67,520	

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
Property tax	\$ 81,945	\$ 77,197
Payments in lieu of tax (PILT)	11,045	11,520
State shared revenues	235,017	245,304
Administration fees	46,323	45,915
Interest	12,030	9,587
Other	<u>21,452</u>	<u>12,647</u>
TOTAL REVENUES	<u>407,812</u>	<u>402,170</u>
EXPENDITURES:		
ASSESSOR:		
Tax supplies	1,209	6,760
Contract labor	10,976	8,537
Miscellaneous	<u>997</u>	<u>5,227</u>
Total assessor	<u>13,182</u>	<u>20,524</u>
SUPERVISOR:		
Salaries	19,250	17,928
Supplies	-	101
Travel expenses	705	1,341
Miscellaneous	<u>622</u>	<u>618</u>
Total supervisor	<u>20,577</u>	<u>19,988</u>
CLERK:		
Salaries	19,704	19,636
Office supplies	248	341
Miscellaneous	<u>164</u>	<u>-</u>
Total clerk	<u>20,116</u>	<u>19,977</u>
TREASURER:		
Salaries	17,880	17,666
Supplies	1,399	237
Tax supplies	9,532	5,556
Equipment	200	2,056
Miscellaneous	<u>1,494</u>	<u>5,138</u>
Total treasurer	<u>30,505</u>	<u>30,653</u>
ZONING AND PLANNING:		
Salaries	1,502	2,160
Supplies	162	202
Printing and publishing	650	520
Travel expenses	850	150
Miscellaneous	<u>629</u>	<u>259</u>
Total zoning and planning	<u>3,793</u>	<u>3,292</u>
GENERAL SERVICES:		
Professional services	13,283	12,069

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Supplies	-	100
Tower rent and expenses	1,290	1,388
Miscellaneous	<u>5,635</u>	<u>10,442</u>
Total general services	<u>20,208</u>	<u>23,999</u>
TOWNSHIP BOARD:		
Salaries	5,403	4,470
Supplies	9	-
Contributions	375	495
Miscellaneous	<u>2,416</u>	<u>812</u>
Total township board	<u>8,203</u>	<u>5,777</u>
TOWN HALL:		
Salaries	7,662	9,469
Supplies	2,601	1,652
Utilities	6,454	6,528
Repairs and maintenance	1,598	6,568
Miscellaneous	<u>3,291</u>	<u>2,972</u>
Total town hall	<u>21,606</u>	<u>27,188</u>
OTHER ACTIVITIES:		
Salaries	28,104	32,994
Payroll taxes	8,743	12,309
Employee benefits	33,317	28,002
Printing and publishing	1,111	1,757
Insurance	24,966	26,321
Board of review	625	1,498
Street lights	11,309	11,545
Miscellaneous	<u>590</u>	<u>2,424</u>
Total other activities	<u>108,765</u>	<u>116,851</u>
RECREATION:		
Salaries	4,994	7,451
Supplies	804	1,249
Utilities	1,168	1,513
Printing and publishing	170	-
Professional services	1,185	-
Repairs and maintenance	1,619	757
Miscellaneous	<u>1,015</u>	<u>4,650</u>
Total recreation	<u>10,955</u>	<u>15,619</u>
MOTOR VEHICLE POOL:		
Salaries	7,968	7,369
Supplies	20	674
Repairs and maintenance	40,209	19,466
Fuel	9,344	7,361
Miscellaneous	<u>105</u>	<u>395</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Total motor vehicle pool	<u>57,646</u>	<u>35,263</u>
CONSTABLE:		
Salaries	2,940	2,940
Insurance	<u>115</u>	<u>257</u>
Total constable	<u>3,055</u>	<u>3,197</u>
ELECTIONS:		
Salaries	106	127
Supplies	2,546	762
Printing and publishing	213	42
Miscellaneous	690	1,259
Contract labor	<u>5,770</u>	<u>2,040</u>
Total elections	<u>9,325</u>	<u>4,229</u>
MAINTENANCE BUILDING:		
Salaries	2,871	1,227
Supplies	5,257	4,080
Utilities	5,140	4,116
Repairs and maintenance	3,971	623
Miscellaneous	<u>1,129</u>	<u>820</u>
Total maintenance building	<u>18,368</u>	<u>10,866</u>
ROADS AND REPAIRS:		
Salaries	796	718
Supplies	-	288
Street signs	1,188	598
Paving roads	55,886	-
Oiling roads	14,602	10,946
Miscellaneous	<u>9,458</u>	<u>-</u>
Total roads and repairs	<u>81,930</u>	<u>12,550</u>
BUILDING INSPECTOR:		
Fees	<u>-</u>	<u>5</u>
Total building inspector	<u>-</u>	<u>5</u>
SANITARY LANDFILL:		
Insurance	<u>-</u>	<u>400</u>
TOTAL EXPENDITURES	<u>428,234</u>	<u>350,379</u>
EXCESS OF REVENUES OVER EXPENDITURES	(20,422)	51,790
FUND BALANCE, BEGINNING OF YEAR	<u>662,985</u>	<u>611,195</u>
FUND BALANCE, END OF YEAR	<u>\$ 642,563</u>	<u>\$ 662,985</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
December 31, 2006

	Fire	Cemetery	Liquor law	TOTALS	
	Protection	Operating	Enforcement	(Memorandum Only)	
				2006	2005
ASSET AND OTHER DEBITS:					
Cash	\$ 85,249	\$ 69,632	\$ 2,622	\$ 157,503	\$ 88,923
Taxes receivables	-	-	-	-	1,193
Due from other funds	1,929	-	-	1,929	-
Prepaid expenses	2,737	1,939	-	4,676	10,789
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 89,915</u>	<u>\$ 71,571</u>	<u>\$ 2,622</u>	<u>\$ 164,108</u>	<u>\$ 100,905</u>
LIABILITIES:					
Accounts payable	\$ -	\$ 1,036	\$ -	\$ 1,036	\$ 179
Due to other funds	1,000	3,000	-	4,000	14,833
Accrued expenses	1,080	15	-	1,095	1,120
Deferred revenue	15,089	-	-	15,089	10,750
TOTAL LIABILITIES	<u>17,169</u>	<u>4,051</u>	<u>-</u>	<u>21,220</u>	<u>26,881</u>
FUND EQUITY					
Fund balance	<u>72,746</u>	<u>67,520</u>	<u>2,622</u>	<u>142,888</u>	<u>74,024</u>
TOTAL LIABILITIES, FUND EQUITY	<u>\$ 89,915</u>	<u>\$ 71,571</u>	<u>\$ 2,622</u>	<u>\$ 164,108</u>	<u>\$ 100,905</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2006

	Fire Protection	Cemetery Operating	Liquor Law Fund	Totals (Memorandum Only)	
				2006	2005
REVENUES:					
Taxes	\$ 64,745	\$ -	\$ -	\$ 64,745	\$ 59,800
State	-	-	1,529	1,529	1,549
Charges for services	-	34,737	-	34,737	29,802
Interest	3,336	4,906	-	8,242	1,751
Other	345	7,000	-	7,345	9,628
TOTAL REVENUES	68,426	46,643	1,529	116,598	102,529
EXPENDITURES:					
Salaries	4,100	38,729	2,040	44,869	41,816
Payroll taxes	317	6,874	157	7,348	6,835
Employee benefits	-	2,045	-	2,045	8,879
Supplies	1,118	3,128	167	4,413	5,136
Utilities	8,873	9,058	-	17,931	17,407
Insurance	7,564	5,358	-	12,922	8,882
Professional services	-	10,774	-	10,774	32
Printing & publishing	-	153	-	153	102
Repairs and maintenance	81,249	78,936	-	160,185	19,306
Contract labor	-	4,064	-	4,064	3,601
Fuel	1,927	-	-	1,927	2,018
Miscellaneous	2,018	496	-	2,514	7,875
Loan payments	9,051	-	-	9,051	9,051
TOTAL EXPENDITURES	116,217	159,615	2,364	278,196	130,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,791)	(112,972)	(835)	(161,598)	(28,410)
OTHER FINANCING SOURCES:					
Sale of cemetery vault	-	172,200	-	172,200	-
Loan proceeds	33,500	-	-	33,500	-
Transfer from Perpetual Care	-	24,762	-	24,762	19,327
TOTAL OTHER FINANCING SOURCES	33,500	196,962	-	230,462	19,327
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(14,291)	83,990	(835)	68,864	(9,083)
FUND BALANCE, BEGINNING OF YEAR	87,037	(16,470)	3,457	74,024	83,107
FUND BALANCE (DEFICIT), END OF YEAR	\$ 72,746	\$ 67,520	\$ 2,622	\$ 142,888	\$ 74,024

CHARTER TOWNSHIP OF PORTAGE
FIRE PROTECTION FUND
DETAILED SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
Taxes	\$ 64,745	\$ 59,800
Interest	3,336	1,751
Other	<u>345</u>	<u>1,241</u>
TOTAL REVENUES	<u>68,426</u>	<u>62,792</u>
EXPENDITURES:		
Salaries	4,100	4,225
Payroll taxes	317	323
Supplies	1,118	1,688
Utilities	8,873	10,682
Insurance	7,564	5,469
Repairs and maintenance	81,249	17,222
Fuel	1,927	1,192
Miscellaneous	2,018	4,821
Loan payments	<u>9,051</u>	<u>9,051</u>
TOTAL EXPENDITURES	<u>116,217</u>	<u>54,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,791)	8,119
OTHER FINANCING SOURCES (USES)		
Hurontown Fire truck loan proceeds	<u>33,500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(14,291)	8,119
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>87,037</u>	<u>78,918</u>
FUND BALANCE, END OF YEAR	<u>\$ 72,746</u>	<u>\$ 87,037</u>

CHARTER TOWNSHIP OF PORTAGE
CEMETERY OPERATING FUND
DETAILED SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
Charges for services	\$ 34,737	\$ 29,802
Interest	4,906	-
Other	<u>7,000</u>	<u>8,387</u>
TOTAL REVENUES	<u>46,643</u>	<u>38,189</u>
EXPENDITURES:		
Salaries	38,729	35,551
Payroll taxes	6,874	6,356
Employee benefits	2,045	8,879
Supplies	3,128	3,364
Utilities	9,058	6,725
Insurance	5,358	3,414
Professional services	10,774	32
Printing and publishing	153	102
Repairs and maintenance	78,936	2,085
Contract labor	4,064	3,601
Fuel	-	826
Miscellaneous	<u>496</u>	<u>3,054</u>
TOTAL EXPENDITURES	<u>159,615</u>	<u>73,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(112,972)	(35,797)
OTHER FINANCING SOURCES (USES):		
Sale of cemetery vault and property	172,200	-
Transfer from Perpetual Care	<u>24,762</u>	<u>19,327</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>196,962</u>	<u>19,327</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	83,990	(16,470)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(16,470)</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 67,520</u>	<u>\$ (16,470)</u>

CHARTER TOWNSHIP OF PORTAGE
LIQUOR LAW ENFORCEMENT FUND
DETAILED SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
State	\$ 1,529	\$ 1,549
EXPENDITURES:		
Salaries	2,040	2,040
Payroll taxes	157	156
Supplies	<u>167</u>	<u>85</u>
TOTAL EXPENDITURES	<u>2,364</u>	<u>2,281</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(835)	(732)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>3,457</u>	<u>4,189</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,622</u>	<u>\$ 3,457</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS- ALL ENTERPRISE FUNDS
Year Ended December 31, 2006

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only)	
					2006	2005
ASSET AND OTHER DEBITS:						
Current Assets:						
Cash	\$ (57,444)	\$ 68,629	\$ 2,649	\$ 87,507	101,341	\$ 98,542
Receivables	3,390	22,493	889	100,507	127,279	154,685
Inventory	-	25,575	-	-	25,575	26,712
Prepaid expenses	1,696	1,697	-	-	3,393	5,356
Total current assets	(52,358)	118,394	3,538	188,014	257,588	285,294
Restricted cash	-	64,956	43,694	-	108,650	127,580
General fixed assets:						
Fixed Assets	1,410,682	1,825,341	673,958	124,452	4,034,433	3,796,326
Accumulated depreciation	(871,118)	(714,968)	(93,992)	(10,872)	(1,690,950)	(1,600,677)
Total general fixed assets	539,564	1,110,373	579,966	113,580	2,343,483	2,195,649
TOTAL ASSETS AND OTHER DEBITS	\$ 487,206	\$ 1,293,723	\$ 627,198	\$ 301,594	\$ 2,709,721	\$ 2,608,523
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 12,460	\$ -	\$ 1,248	\$ -	\$ 13,708	\$ 17,967
Due to other funds	207,247	249,330	4,481	-	461,058	259,343
Current maturities on bond payable	-	30,000	3,000	17,000	50,000	50,000
User deposits	-	11,611	4,375	636	16,622	16,622
Accrued expenses	648	711	224	208	1,791	1,550
Deferred revenue	-	22,783	-	99,148	121,931	140,314
Total current liabilities	220,355	314,435	13,328	116,992	665,110	485,795
Long-term liabilities:						
Bonds payable net of current maturities	-	292,000	177,000	66,000	535,000	585,000
TOTAL LIABILITIES	220,355	606,435	190,328	182,992	1,200,110	1,070,795
FUND EQUITY AND OTHER CREDITS:						
Contributed capital	292,666	302,700	424,652	-	1,020,018	1,062,059
Retained earnings	(25,815)	384,588	12,218	118,602	489,593	475,669
TOTAL FUND EQUITY	266,851	687,288	436,870	118,602	1,509,611	1,537,728
TOTAL LIABILITIES AND FUND EQUITY	\$ 487,206	\$ 1,293,723	\$ 627,198	\$ 301,594	\$ 2,709,721	\$ 2,608,523

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS- ALL ENTERPRISE FUNDS

Year Ended December 31, 2006

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Totals (Memorandum Only)	
					2006	2005
OPERATING REVENUE						
Charges for services	\$ 134,498	\$ 117,693	\$ 22,017	\$ 52,393	\$ 326,601	\$ 306,685
Parts, meters, hook-up fees	785	275	-	75	1,135	4,401
Other	106	5,321	1,850	1,997	9,274	15,145
TOTAL OPERATING REVENUE	135,389	123,289	23,867	54,465	337,010	326,231
EXPENSES:						
Salaries	15,808	21,840	4,559	4,474	46,681	41,238
Payroll taxes	2,793	3,748	816	801	8,158	4,972
Employee benefits	4,300	4,987	306	304	9,897	12,706
Supplies	1,925	5,529	772	360	8,586	9,072
Utilities	2,905	2,080	-	-	4,985	5,068
Insurance	2,342	2,292	-	-	4,634	1,321
Repairs and maintenance	2,323	1,050	-	-	3,373	1,782
Professional services	3,060	-	-	-	3,060	48,623
Depreciation	35,251	35,129	17,059	2,834	90,273	86,173
Purchase services	118,492	29,632	3,093	13,111	164,328	182,678
Miscellaneous	1,357	10,277	75	-	11,709	8,501
TOTAL EXPENSES	190,556	116,564	26,680	21,884	355,684	402,132
OPERATING INCOME(LOSS)	(55,167)	6,725	(2,813)	32,581	(18,674)	(75,901)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	-	9,068	1,655	1,855	12,578	5,611
Interest expense	-	(10,656)	(8,235)	(3,129)	(22,020)	(29,817)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	(1,588)	(6,580)	1,274	(9,442)	(24,206)
NET INCOME (LOSS)	(55,167)	5,137	(9,393)	31,307	(28,116)	(100,107)
RETAINED EARNINGS, BEGINNING OF YEAR	7,662	369,361	11,351	87,295	475,669	533,737
ADJUSTMENTS TO FUND EQUITY						
Depreciation on Contributed Capital	21,690	10,090	10,260	-	42,040	42,040
RETAINED EARNINGS, END OF YEAR	\$ (25,815)	\$ 384,588	\$ 12,218	\$ 118,602	\$ 489,593	\$ 475,669

CHARTER TOWNSHIP OF PORTAGE
COMBINING STATEMENTS OF CASH FLOWS
ALL ENTERPRISE FUNDS
Year Ended December 31, 2006

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only)	
					2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (55,167)	\$ 6,725	\$ (2,813)	\$ 32,581	\$ (18,674)	\$ (75,901)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	35,251	35,129	17,059	2,834	90,273	86,173
(Increase) Decrease in accounts receivable	4,369	5,788	(90)	17,338	27,405	36,248
(Increase) Decrease in prepaid expenses	693	1,095	85	89	1,962	(1,883)
(Increase) Decrease in due from other governmental unit	0	0	0	0	0	0
(Increase) Decrease in due from other funds	0	0	0	0	0	5,598
(Increase) Decrease in inventory	0	1,137	0	0	1,137	433
Increase (Decrease) in accounts payable	672	(6,024)	1,093	0	(4,259)	2,296
Increase (Decrease) in due to other funds	0	204,715	(3,000)	0	201,715	42,422
Increase (Decrease) in user deposits	0	0	0	0	0	75
Increase (Decrease) in accrued expenses	30	(56)	149	118	241	495
Increase (Decrease) in current maturities	0	0	0	0	0	0
Increase (Decrease) in deferred revenue	0	0	0	(18,382)	(18,382)	(37,419)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(14,152)	248,509	12,483	34,578	281,418	58,537
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond proceeds	0	0	0	0	0	325,000
Reductions of long-term debt	0	(30,000)	(3,000)	(17,000)	(50,000)	(361,000)
Interest paid on long-term debt	0	(10,656)	(8,235)	(3,129)	(22,020)	(29,817)
Purchase of fixed assets	0	(238,108)	0	0	(238,108)	(9,081)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0	(278,764)	(11,235)	(20,129)	(310,128)	(74,898)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	0	9,068	1,655	1,855	12,578	5,610
NET CASH FLOWS FROM INVESTING ACTIVITIES	0	9,068	1,655	1,855	12,578	5,610
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(14,152)	(21,187)	2,903	16,304	(16,132)	(10,751)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	(43,292)	154,772	43,440	71,203	226,123	236,871
CASH AND RESTRICTED CASH, END OF YEAR	\$ (57,444)	\$ 133,585	\$ 46,343	\$ 87,507	\$ 209,991	\$ 226,120

CHARTER TOWNSHIP OF PORTAGE
SEWER FUND
DETAILED SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Charges for services	\$ 134,498	\$ 121,483
Parts, meters, hook-up fees	785	1,200
Other	<u>106</u>	<u>2,441</u>
TOTAL OPERATING REVENUE	<u>135,389</u>	<u>125,124</u>
EXPENSES:		
Salaries	15,808	16,089
Payroll taxes	2,793	2,015
Employee benefits	4,300	5,884
Supplies	1,925	2,639
Utilities	2,905	3,030
Insurance	2,342	486
Repairs and maintenance	2,323	826
Professional services	3,060	26,555
Depreciation	35,251	35,460
Sewage use charges	118,492	119,359
Miscellaneous	<u>1,357</u>	<u>774</u>
TOTAL EXPENSES	<u>190,556</u>	<u>213,118</u>
OPERATING INCOME(LOSS)	(55,167)	(87,994)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>-</u>	<u>3</u>
NET INCOME (LOSS)	(55,167)	(87,991)
RETAINED EARNINGS, BEGINNING OF YEAR	7,662	73,963
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	<u>21,690</u>	<u>21,690</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (25,815)</u>	<u>\$ 7,662</u>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- PORTAGE
DETAILED SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Charges for services	\$ 117,693	\$ 106,422
Parts, meters, hook-up fees	275	3,100
Other	<u>5,321</u>	<u>11,350</u>
TOTAL OPERATING REVENUE	<u>123,289</u>	<u>120,871</u>
EXPENSES:		
Salaries	21,840	21,696
Payroll taxes	3,748	2,458
Employee benefits	4,987	6,570
Supplies	5,529	6,088
Utilities	2,080	2,038
Insurance	2,292	836
Repairs and maintenance	1,050	667
Professional services	-	22,067
Depreciation	35,129	30,820
Water purchases	29,632	33,812
Miscellaneous	<u>10,277</u>	<u>5,357</u>
TOTAL EXPENSES	<u>116,564</u>	<u>132,408</u>
OPERATING INCOME(LOSS)	6,725	(11,537)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	6,492	1,592
Interest special assessment	2,576	2,138
Interest expense	<u>(10,656)</u>	<u>(17,736)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	(1,588)	(14,006)
NET INCOME (LOSS)	5,137	(25,543)
RETAINED EARNINGS, BEGINNING OF YEAR	369,361	384,814
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	<u>10,090</u>	<u>10,090</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 384,588</u>	<u>\$ 369,361</u>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- DAKOTA HEIGHTS
DETAILED SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Charges for services	\$ 22,017	\$ 22,718
Other	<u>1,850</u>	<u>154</u>
TOTAL OPERATING REVENUE	<u>23,867</u>	<u>22,872</u>
EXPENSES:		
Salaries	4,559	1,683
Payroll taxes	816	258
Employee benefits	306	112
Supplies	772	147
Depreciation	17,059	17,059
Water purchases	3,093	2,280
Miscellaneous	<u>75</u>	<u>1,914</u>
TOTAL EXPENSES	<u>26,680</u>	<u>23,452</u>
OPERATING INCOME(LOSS)	(2,813)	(580)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	420	57
Interest special assessment	1,235	359
Interest expense	<u>(8,235)</u>	<u>(8,370)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>(6,580)</u>	<u>(7,955)</u>
NET INCOME (LOSS)	(9,393)	(8,535)
RETAINED EARNINGS, BEGINNING OF YEAR	11,351	9,626
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	<u>10,260</u>	<u>10,260</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 12,218</u>	<u>\$ 11,351</u>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- WOODLAND ROAD
DETAILED SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Charges for services	\$ 52,393	\$ 56,063
Parts, meters, hook-up fees	75	102
Other	<u>1,997</u>	<u>1,200</u>
TOTAL OPERATING REVENUE	<u>54,465</u>	<u>57,364</u>
EXPENSES:		
Salaries	4,474	1,770
Payroll taxes	801	240
Employee benefits	304	141
Supplies	360	198
Depreciation	2,834	2,834
Water purchases	13,111	27,227
Miscellaneous	<u>-</u>	<u>744</u>
TOTAL EXPENSES	<u>21,884</u>	<u>33,154</u>
OPERATING INCOME(LOSS)	32,581	24,210
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,855	1,462
Interest expense	<u>(3,129)</u>	<u>(3,711)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>(1,274)</u>	<u>(2,249)</u>
NET INCOME (LOSS)	31,307	21,961
RETAINED EARNINGS, BEGINNING OF YEAR	<u>87,295</u>	<u>65,334</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 118,602</u>	<u>\$ 87,295</u>

CHARTER TOWNSHIP OF PORTAGE
CEMETERY PERPETUAL CARE FUND
BALANCE SHEET

Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS:		
RESTRICTED ASSETS:		
Cash and cash equivalents	\$ 258,222	\$ 222,368
Investments	638,782	649,829
Due from other funds	3,000	-
Accrued interest	<u>6,229</u>	<u>3,667</u>
TOTAL RESTRICTED ASSETS	<u>\$ 906,233</u>	<u>\$ 875,864</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Deferred revenue	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES:		
Reserved fund balance	<u>906,233</u>	<u>875,864</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 906,233</u>	<u>\$ 875,864</u>

CHARTER TOWNSHIP OF PORTAGE
CEMETERY PERPETUAL CARE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Perpetual care fees	\$ 34,000	\$ 25,500
Interest and dividends	<u>26,427</u>	<u>22,974</u>
TOTAL OPERATING REVENUES	<u>60,427</u>	<u>48,474</u>
EXPENSES		
Professional fees	<u>5,296</u>	<u>5,319</u>
TOTAL OPERATING EXPENSES	<u>5,296</u>	<u>5,319</u>
OPERATING INCOME (LOSS)	55,131	43,156
NON-OPERATING REVENUES (EXPENSES):		
Operating transfers in	-	-
Transfer to cemetery operating fund	<u>(24,762)</u>	<u>(19,327)</u>
Total other financing sources (uses)	<u>(24,762)</u>	<u>(19,327)</u>
Net change in fund balance	<u>30,369</u>	<u>23,828</u>
Fund Balances- Beginning of Year	<u>875,864</u>	<u>852,036</u>
Fund Balances- End of Year	<u>\$ 906,233</u>	<u>\$ 875,864</u>

CHARTER TOWNSHIP OF PORTAGE
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended December 31, 2006

	Balance 12/31/05	Additions	Deductions	Balance 12/31/06
ASSETS:				
Cash	\$ 9,360	\$ 5,324,173	\$ 5,270,763	\$ 62,770
TOTAL ASSETS	<u>\$ 9,360</u>	<u>\$ 5,324,173</u>	<u>\$ 5,270,763</u>	<u>\$ 62,770</u>
LIABILITIES:				
Due to other funds	\$ 9,360	\$ 223,566	\$ 208,648	\$ 24,278
Due to other	0	14,958	14,159	799
Due to other governmental units	<u>0</u>	<u>2,440,254</u>	<u>2,402,561</u>	<u>37,693</u>
TOTAL LIABILITIES	<u>\$ 9,360</u>	<u>\$ 2,678,778</u>	<u>\$ 2,625,368</u>	<u>\$ 62,770</u>



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the general purpose financial statements of the Charter Township of Portage, for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by auditing standards generally accepted in the United States of America.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

Bond Reserve Requirements

At December 31, 2006 there was a shortage of funds deposited to meet the bond requirement funds as outline in Note I. The Township needs to deposit additional funds and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.

As of May 1, 2007 the Township deposited additional funds in the Dakota Heights Water Fund's Repair, Replacement, and Improvement Account to eliminate the shortage.

Expenditures

In order to keep the Township's management informed regarding State of Michigan regulations, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). We recommend that the Township's management familiarize themselves with this list in order to prevent the potential for illegal or unauthorized expenditures of the Township's funds.

Expenditures (Continued)

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expense for a person injured on government property
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.
- Presents to officials and employees or retirement recognitions events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residences to the Township.
- Extra compensation unless for part of the initial salary resolution or authorized under statutory procedures for an increase in salary.

It has been a pleasure to provide audit services to the Charter Township of Portage. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

June 26, 2007